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DEPARTMENT OF THE INTERIOR

Bureau of Land Management

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Notice of Proposed Action: Crude Helium Sale and Auction for Fiscal Year 2016

Delivery

AGENCY: Bureau of Land Management, Interior.

ACTION: Notice.

SUMMARY: The purpose of this action is to inform the public that the Department of the Interior, Bureau of Land Management (BLM), will conduct a Phase B sale and auction of crude helium for Fiscal Year (FY) 2016 delivery. For purposes of the Phase B sale, the BLM is seeking comments regarding the methods BLM should use to arrive at the sale price of the helium; the auction format BLM should follow in selling helium; who will be allowed to purchase helium; and the process BLM should follow for allocating helium.

DATES: Comments regarding the helium sale and auction must be received by the BLM on or before [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

ADDRESSES: You may submit your comments in one of two ways. You may mail comments to Bureau of Land Management, Amarillo Field Office, 801 S. Fillmore, Suite 500, Amarillo, TX 79101, Attention: Helium Sale and Auction; or email them to blm_nm_amfo_spo@blm.gov with "Helium Sale and Auction" in the subject line.

FOR FURTHER INFORMATION CONTACT: Robert Jolley, Amarillo Field Manager, at 806-356-1002. Persons who use a telecommunications device for the deaf (TDD) may call the Federal Information Relay Service (FIRS) at 1-800-877-8339. The FIRS is available 24 hours a day, 7 days a week, to leave a message. You will receive a reply during normal business hours.

SUPPLEMENTARY INFORMATION:

Background: In October 2013, Congress passed the Helium Stewardship Act of 2013 (the “Act”), Public Law No. 113-40. Beginning in FY 2014, the Act requires the Department of the Interior, through the BLM Director, to offer for sale and auction annually a portion of the helium reserves owned by the United States and stored underground in the Cliffside Gas Field, which is near Amarillo, Texas. 50 U.S.C. 167d(b).

On July 22, 2014, the BLM published a “Final Notice for Implementation of Helium Stewardship Act Sales and Auctions” in the Federal Register, (79 FR 42808) (“2014 Final Notice”). The 2014 Final Notice contained information about the Act, definitions of terms used in the Notice, the reasons for the action, and a process for conducting the auctions and sales in FY 2014. The 2014 Final Notice is available at the BLM helium operations website at: <http://www.blm.gov/nm/helium>.

Comments requested: The BLM is specifically seeking comments on elements of the FY 2016 sale and auction that differ from the process described the 2014 Final Notice. These include:

- a. The process for arriving at the price for helium to be sold at the Phase B auction and sale, as described in section 1.01 of this Notice;
- b. The format of the auction, as described in section 1.04 of this Notice;

- c. Who will be allowed to purchase helium in the FY 2016 Phase B sale, as described in section 2.01 of this Notice; and
- d. The process for allocating helium for the FY 2016 Phase B sale, as described in section 2.02 of this Notice.

Any comments regarding the sale or auction will be reviewed by the BLM State Director or other authorized official of the Department of the Interior, who may sustain, vacate, or modify the sale or auction. After consideration of comments on this notice and comments on a proposed new form of the helium storage contract, the BLM will publish a final notice of the FY 2016 sale and auction. Before including your address, phone number, email address, or other personal identifying information in your comment, you should be aware that your entire comment – including your personal identifying information – may be made publicly available at any time. While you may ask us in your comment to withhold your personal identifying information from public review, we cannot guarantee that we will be able to do so.

Volumes Offered in the FY 2016 Helium Auction and Sale: Table 1 identifies the volumes to be offered for auction and sale in FY 2015 for FY 2016 delivery.

Table 1. Projected Volumes for Phase B Auction and Sale for FY 2016 Delivery

Fiscal Year (FY)	Forecasted Production Capability (NITEC Study)	In-Kind Sales (Sales to Federal Users)	Total Remaining Production Available for Sale/ Auction or Delivery	Volume Available for Auction	Previously Sold in FY 2014 Advanced Sale	Volume Available for Sale
	MMcf*	MMcf	MMcf	MMcf	MMcf	MMcf
FY 2016**	1,310	160	1,150	300***	250****	600

* MMcf means one million cubic feet of gas measured at standard conditions of 14.65 per square inch atmosphere (psia) and 60 degrees Fahrenheit

** Delivery for FY 2016 sales and auctions will be subject to a new storage contract beginning October 1, 2015

*** 25% of total production capacity after deducting In-Kind (rounded)

**** In accordance with the Act, 250 MMcf of FY 2016 volumes were offered in FY 2014

FY 2016 Helium Auction

1.01 What is the minimum FY 2016 Phase B auction price and minimum

FY 2016 Phase B sales price, and how were those prices determined? Under the Act (50 U.S.C. 167d(b)), there are two occasions when helium is sold in Phase B: a public auction for qualified bidders (“Phase B auction”) and a sale of helium to persons who have the ability to accept delivery of crude helium from the Federal Helium System (“Phase B sale”).

The minimum FY 2016 Phase B auction reserve price is \$100 per Mcf (one thousand cubic feet of gas measured at standard conditions of 14.65 psia and 60 degrees Fahrenheit). The BLM will calculate the FY 2016 Phase B sale price using the weighted average price of the crude helium sold in the FY 2016 Phase B auction. If there are no successful sales during the FY 2016 Phase B auction, all helium volume offered in the auction will be added to the Phase B sale at a market-based survey price or calculated average price under 50 U.S.C. 167d (b)(7)(B) or (C), respectively.

1.02 What will happen to the helium offered but not sold in the helium auction?

Any volume of helium offered but not sold in the FY 2016 Phase B auction will be added to the 600 MMcf available for sale and will be offered for sale in the FY 2016 Phase B sale.

1.03 When will the sale and auction take place? The BLM intends to offer helium for FY 2016 according to the following tentative schedule. This schedule may be adjusted based upon the timing of the required notices and complexity of comments received.

August 18, 2015 FY 2016 Phase B helium auction held in Amarillo, Texas

August 19, 2015 FY 2016 Phase B helium auction results published on the BLM website

August 24, 2015 Phase B Helium Sale

September 30, 2015 Revenues from auction and sale due to the BLM

1.04 What is the auction format? The auction will be a live auction, held at the Amarillo Field Office in Amarillo, Texas. The procedures for the auction and the pre-bid qualification form will be available after publication of a Final Notice. The Final Notice will include a web link. Please call BLM at 806-356-1001 if you have any questions relating to the auction.

1.05 Who is qualified to purchase helium at the Phase B auction? Only “qualified bidders,” as defined in 50 U.S.C. 167(9), may participate in and purchase helium at the Phase B auction. The BLM will make the final determination of who is a qualified bidder using the Act’s definition of a qualified bidder, regardless of whether or not that person was previously determined to be a qualified bidder.

1.06 How many helium lots does the BLM anticipate offering at the FY 2016 Phase B auction? The BLM anticipates auctioning 300 MMcf in a total of 18 lots for FY 2016. The lots would be divided as follows:

- (8) lots of 25 MMcf each
- (5) lots of 15 MMcf each
- (5) lots of 5 MMcf each

1.07 What must I do to bid at auction? The BLM will describe the live auction procedures, including detailed bidding instructions and pre-bid registration requirements, on its web page at a web link that will be included in the Final Notice. The Final Notice

will contain information regarding the time and location of the auction, process for notification of winning bidders, payments, and how to make such payments.

1.08 When will helium that is purchased at sale or won at auction be available in the purchaser's storage account? The BLM will transfer the volumes purchased in the FY 2016 Phase B auction and sale to the buyers' storage accounts beginning on the first day of the month following receipt of payment.

FY 2016 Phase B Helium Sale

2.01 Who will be allowed to purchase helium in the FY 2016 Phase B sale? Any person (including individuals, corporations, partnerships, or other entities) with the ability to accept delivery of crude helium from the Federal Helium Pipeline (as defined in 50 U.S.C. 167(2)) may purchase helium in the FY 2016 Phase B sale.

2.02 How will the helium sold in the FY 2016 Phase B sale be allocated among the persons with the ability to take helium? Any person desiring to participate in the FY 2016 Phase B sale needs to report its excess refining capacity and operational capacity by August 14, 2015 using the Excess Refining Capacity form, which can be downloaded at <http://www.blm.gov/nm/heliumreporting>. Each person participating in the sale will then be allocated a proportional share based upon that person's operational capacity.

2.03 How does a person apply for access to the Federal Helium Pipeline for the purpose of taking crude helium? The steps for taking crude helium are provided in the BLM's Helium Operations website at <http://www.blm.gov/nm/helium>. Reporting forms show the due dates for each report, and can be found at <http://www.blm.gov/nm/heliumreporting>. The length of time required to apply for and obtain access to the Federal Helium Pipeline will vary based on the person's plans for plant construction, pipeline metering installation, and other variables. The BLM is

available to provide technical assistance, including contact information for applying for access and meeting any applicable National Environmental Policy Act requirements.

2.04 What will happen if one or more persons request an amount other than the person's share of the volume offered for sale? If one or more persons requests less than its share or their shares, any other person(s) that request(s) more than its share or their shares will be allowed to purchase the excess volume based on the proportionate shares of operational capacity of all persons requesting more than their initial shares.

2.05 What will happen if the total amount requested by persons is less than the 600 MMcf offered in the FY 2016 Phase B sale? Any excess volume not sold in the FY 2016 Phase B sale will be available for future sale or auction.

2.06 Do you have a hypothetical example of how the FY 2016 Phase B Sale would be conducted? A hypothetical example of how the Phase B Sale will be conducted is available at the Helium Operations website at: <http://www.blm.gov/nm/helium>.

Delivery of Helium in FY 2016

3.01 When will I receive helium that I purchase in a sale or win based on a successful auction bid? Helium purchased at the FY 2016 sale or won at the FY 2016 auction will be delivered starting October 1, 2015, in accordance with the crude helium storage contract. The intent is to ensure delivery of all helium purchased at sale or auction up to the BLM's production capability for the year.

3.02 How will the BLM prioritize delivery? The Act, at 50 U.S.C. 167d(b)(1)(D) and (b)(3), gives priority to Federal In-Kind helium (i.e., helium sold to Federal users). After meeting that priority, the BLM will make delivery on a reasonable basis, as described in the crude helium storage contract, to ensure storage contract holders who have purchased

or won helium at auction have the opportunity during the year to have that helium produced or refined in monthly increments.

Background documents

Supplementary documents referenced in this Notice are available at the BLM helium operations website at: <http://www.blm.gov/nm/helium>, and include the following:

- a. Table of Projected Volumes for Sales and Auctions for Delivery for FY 2017-FY 2021 (informational);
- b. Hypothetical example of how the FY 2016 Phase B Sale would be conducted (informational);

- c. The Helium Stewardship Act of 2013, 50 U.S.C. 167;
- d. FY 2014 Helium Auction Notice;
- e. Helium Storage Contract; and
- f. Required forms for helium reporting.

Authority: The Helium Stewardship Act of 2013, Public Law No. 113-40, codified to various sections in 50 U.S.C. 167-167q.

Sheila K. Mallory,

Acting State Director.

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